

Issuer: ES Group (Holdings) Limited

Security: ES Group (Holdings) Limited

Meeting details:

Date: 27 April 2018

Time: 2.00 p.m.

Venue: 10 Kwong Min Road, Singapore 628712

Company Description

ES Group (Holdings) Limited, an investment holding company, builds, converts, and repairs ships, tankers, and other ocean-going vessels in Singapore, Thailand, and the People's Republic of China. The company operates through New Building and Conversion, and Repair segments. It constructs the hulls of the rock dumping vessels, and self-propel transporters; repairs bow, forecastle, and side shell collision damages of vessels; and fabricates, assembles, and erects the hulls of the oil rig and living quarters. The company is also involved in ship conversion and offshore structures, including bow thrusters, crane tubs, duck tails, forecastle blocks, poop blocks, flare towers, stern thrusters, helidecks, cantilever with turret and chain tables, sponson tanks, stainless steel living quarters, and turret casings; and the provision of module installation, lengthening, and bulbous bow modification services. In addition, it engages in the blasting and painting of steel structures; and providing scaffold structures for the marine industries, such as tower, tubular, hanging scaffolds, etc., as well as scaffold structures along ship's side and internal compartments. Further, the company fabricates and installs marine piping systems comprising ballast systems, fuel oil lines, fire lines, heating coils, cooling systems, etc.; offers technical development, design, and consultancy services for ships and offshore projects, as well as electrical and installation services for vessels; provides labor supply services; charters ships, barges, and boats; and sells consumables. ES Group (Holdings) Limited was founded in 1975 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5RC)

1. As mentioned in the Chairman’s Message, the group’s performance improved over the previous financial year but continued to suffer losses as the marine and offshore industry comes out from a deep and prolonged slowdown.

As a result of the three years of losses of \$(3.7) million in FY2017, \$(5.5) million in FY2016 and \$(1.6) million in FY2015, the group’s equity has shrunk from \$33.8 million to \$26.4 million as at 31 December 2017. The group’s gearing ratio is 49% (page 104 of the annual report).

In FY 2017, the Group saw additional revenue from the new shipping segment which comprised mainly of the Group’s chartering business.

- (i) **Can management elaborate further on the group’s new shipping segment? How will the group position itself in the crowded market where there is a lot of excess capacity?**
- (ii) **How much will the group invest in this segment? Does the group have the financial strength to scale up in this capital-intensive business?**
- (iii) **What are the characteristics of its current fleet? Can management confirm that the group owns the bunker vessel “Sea Tanker I” and the product tanker “ES Aspire”?**
- (iv) **What is the utilisation rate of the fleet in FY2017?**

2. The “impairment assessment for third party trade receivables” is a key audit matter highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 37). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

Of the group’s total assets of \$48.3 million, the group recognised \$17.7 million as trade receivables and a further \$0.8 million as other receivables. The amount that is past due but not impaired as at 31 December 2017 was \$9.8 million, up from \$4.2 million a year ago. In addition, there were unbilled trade receivables amounting to \$6.0 million. The analysis of trade receivables is shown below:

The table below is an analysis of trade receivables as at 31 December:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Unbilled receivables	5,955,708	5,114,256	-	-
Not past due and not impaired	1,951,359	1,042,347	-	-
Past due but not impaired	9,772,959	4,199,552	-	-
	17,680,026	10,356,155	-	-

(Source: Company annual report)

- (i) **Can the company provide shareholders with the aging analysis of the trade receivables?**
- (ii) **Please provide a breakdown showing the number of debtors, amount owed, aging and the financial status of the debtors. Can management also disclose the amounts owed by the top 3 and top 5 customers?**
- (iii) **Can management help shareholders understand the basis of recognising just \$72,212 in impairment for trade receivables for the financial year? Can the company describe in detail the credit evaluation process performed by management?**

- (iv) **How is the audit and risk committee (ARC)’s role in overseeing the group’s credit risk and how did it help in ensuring that the group has a robust credit evaluation framework?**
- (v) **Can management also explain the practice of not billing for work done and recognising it as “unbilled receivables”?**

3. The attendance record of the directors for the past three years are shown in the tables below:

FY2017

During FY 2017, the number of Board and Board Committee meetings held and the attendance of each Board member at the meetings are as follows:-

Board / Board Committees	Board	Audit and Risk Committee	Nominating Committee	Remuneration and Compensation Committee
Number of meetings held	5	3	1	1
Name of Director				
Mr. Wee Siew Kim	5	3	1	1
Mr. Low Chee Wee	5	3*	1*	1*
Mr. Eddy Neo Chiang Swee	3	2*	1*	1*
Ms. Tan Swee Ling	5	3	1	1
Mr. Jens Rasmussen	5	3	1	1

FY2016

During FY2016, the number of Board and Board Committee meetings held and the attendance of each Board member at the meetings are as follows:-

Board / Board Committees	Board	Audit and Risk Committee	Nominating Committee	Remuneration and Compensation Committee
Number of meetings held	3	2	2	2
Name of Director				
Mr. Wee Siew Kim	3	2	1	2
Mr. Low Chee Wee	2	2*	2*	2*
Mr. Christopher Low Chee Leng**	2	1*	2*	2*
Mr. Eddy Neo Chiang Swee	2	2*	1*	1*
Ms. Tan Swee Ling	3	2	2	2
Mr. Jens Rasmussen	3	2	2	2

FY2015

During FY2015, the number of Board and Board Committee meetings held and the attendance of each Board member at the meetings are as follows:-

Board / Board Committees	Board	Audit and Risk Committee	Nominating Committee	Remuneration and Compensation Committee
Number of meetings held	2	2	2	2
Name of Director				
Mr. Wee Siew Kim	2	2	2	2
Mr. Low Chee Wee	2	2*	2*	2*
Mr. Christopher Low Chee Leng	2	2*	2*	2*
Mr. Eddy Neo Chiang Swee	1	1*	1*	1*
Ms. Tan Swee Ling	2	2	2	2
Mr. Jens Rasmussen	2	2	2	2

- (i) **Would the company elaborate further on the extenuating circumstances, if any, that led to the directors not attending the board meetings?**
- (ii) **How can the company secretary and the directors improve the scheduling of the board meetings so that all the directors can contribute effectively to the board and demonstrate their commitment to their roles?**